USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.08

Voluntary Report - public distribution

Date: 12/4/2003

GAIN Report Number: IN3118

India

Cotton and Products

December Update

2003

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Report Highlights:
Post's 2003/04 production estimate has been revised higher to 16.3 million bales (170 kg Indian bales). Due to comparatively strong international prices, imports have been revised lower to 1.0 million bales and exports higher to 0.5 million bales.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

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SECTION I: SITUATION AND OUTLOOK

Note: All figures in the text are in 170 kg bales, unless mentioned otherwise.

2003/04 Production Raised

Post's estimate of marketing year (MY) 2003/04 cotton production has been revised marginally higher to 16.3 million bales, based on reports of better than expected crop yields in northern and central regions (see table 3) due to ideal harvest conditions. The strong pace of market arrivals in these regions corroborates the expectation for higher crop production. Market arrivals through November 22, 2003, have reportedly reached 3.2 million bales, as compared to 1.7 million bales for the corresponding period last season.

Production forecasts from various industry sources vary from 16.0 to 17.5 million bales. An informal working group meeting of the Cotton Advisory Board (CAB) estimated the 2003/04 production at 17.5 million bales. Typically, however, the CAB (dominated by trade and industry) takes an optimistic position of domestic production during this time of the year so as to pressure prices down. Market sources report that the harvest is progressing well under ideal weather conditions. There have been no reports of any significant damage due to pest and diseases in any of the cotton growing regions. The quality of the cotton arrivals is also reported to be better than last year's drought-affected cotton. Light rains in December may further improve the prospects for late pickings in rainfed cotton areas of central and southern states.

Market Prices Firm Despite Heavy Arrivals

Despite heavy market arrivals, domestic prices remained firm in October/November on strong demand from domestic mills and exporters, which stemmed from strong international cotton prices and low cotton stocks with the Indian mills. The domestic prices have been closely following the international cotton price movements. The spot prices of commonly traded medium staple varieties (J-34, H-4, and Shankar 6) are currently trading at 60-65 cents/lb, between 26-30 percent higher than a year ago. Although future domestic prices are expected to closely follow the international price movements, prices are expected to ease somewhat in December/January as arrivals peak in all growing areas.

Cotton Consumption Subdued on High Prices

The cotton consumption estimate for MY 2003/04 has been revised lower to 17.0 million bales from the previous estimate of 17.3 million bales due to expected high cotton prices and comparatively tight supplies.

Strong International Prices Pull India to Export Market

Comparatively strong international cotton prices have raised the likelihood of Indian cotton exports during the current season, after a 5-year pause. Consequently, Post's estimate for cotton exports during MY 2003/04 has been raised higher to 500,000 bales.

Market sources report that Indian cotton is currently among the cheapest cotton in the world, with FOB prices about 6-7 cents/lb cheaper than comparable cotton from other origins. Although Indian cotton is discounted by 5-7 percent over other cotton on account of lower quality (trash, uniformity etc), it is still able to find markets in neighboring countries. Although official estimates are not available, market sources report that 220,000 - 250,000 bales have been contracted for exports until 3rd week of November, mostly to China, Bangladesh, Pakistan and the Far East. Most of export contracts have been for varieties J-34

(24mm at 67-72 cents/lb), Shankar-6 (28mm at 71-74 cents/lb), and MCU 5 (32mm at 74-75 cents/lb) for delivery through early January. There has been a lull in export contracts over the last few days, as international prices have started easing downwards. Nevertheless, with domestic cotton prices also expected to ease, total exports during MY 2003/04 are expected to reach 500,000 bales.

2003/04 Imports Lowered

Post's estimate for MY 2003/04 imports has been lowered to 1.0 million bales due to comparatively strong prices of international cotton vis-à-vis local cotton. Market sources report that the total quantity of cotton imported and/or contracted for import until mid-November is estimated at 400,000 – 450,000 bales. Most of the recent contracts have been limited to long staple and extra long staple cotton from Egypt and the United States. Although last year's comparable figures are not available, import contracts of the long/extra long staple cotton to date are estimated to be lower than last year as many ELS-consuming Indian mills were covered through January 2004. Although imports during the rest of the season will depend on the relative prices of Indian cotton vs. international cotton, market sources expect a resurgence in demand for quality foreign cotton from the export-oriented units after March, when local arrivals start tapering off. Consequently, total cotton imports during MY 2003/04 are forecast to reach 1.0 million bales.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton, PSD Table (metric tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES)	(METRIC TONS)				
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	8730000	8730000	7600000	7572000	8500000	8370000	(HECTARES)
Area Harvested	8730000	8730000	7600000	7572000	8500000	8370000	(HECTARES)
Beginning Stocks	821482	821482	1020702	1020702	726771	726771	METRIC TONS
Production	2678037	2678037	2307901	2307901	2721582	2771000	METRIC TONS
Imports	424567	424567	304817	304817	250386	170000	METRIC TONS
TOTAL SUPPLY	3924086	3924086	3633420	3633420	3698739	3667771	METRIC TONS
Exports	13064	13064	10886	10886	21773	85000	METRIC TONS
USE Dom. Consumption	2686320	2686320	2691763	2691763	2713536	2677500	METRIC TONS
Loss Dom. Consumption	204000	204000	204000	204000	204000	204000	METRIC TONS
TOTAL Dom. Consumption	2890320	2890320	2895763	2895763	2917536	2881500	METRIC TONS
Ending Stocks	1020702	1020702	726771	726771	759430	701271	METRIC TONS
TOTAL DISTRIBUTION	3924086	3924086	3633420	3633420	3698739	3667771	METRIC TONS

Note: Production figures for MY 2001, 2002, 2003 include 1.0 million bales (170 kgs), 1.15 million bales and 1.1 million bales of loose cotton respectively.

Table 2: Commodity, Cotton, PSD Table (480 bales)

PSD Table							
Country:	India				Conversion	0.004593	
Commodity:	Cotton						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	8730000	8730000	7600000	7572000	8500000	8370000	(HECTARES)
Area Harvested	8730000	8730000	7600000	7572000	8500000	8370000	(HECTARES)
Beginning Stocks	3773	3773	4688	4688	3338	3338	1,000 480lb bales
Production	12300	12300	10600	10600	12500	12727	1,000 480lb bales
Imports	1950	1950	1400	1400	1150	781	1,000 480lb bales
TOTAL SUPPLY	18023	18023	16688	16688	16988	16846	1,000 480lb bales
Exports	60	60	50	50	100	390	1,000 480lb bales
USE Dom. Consumption	12338	12338	12363	12363	12463	12298	1,000 480lb bales
Loss Dom. Consumption	937	937	937	937	937	937	1,000 480lb bales
TOTAL Dom. Consumption	13275	13275	13300	13300	13400	13234	1,000 480lb bales
Ending Stocks	4688	4688	3338	3338	3488	3221	1,000 480lb bales
TOTAL DISTRIBUTION	18023	18023	16688	16688	16988	16846	1,000 480lb bales

Note: Production figures for MY 2001, 2002, 2003 include 1.0 million bales (170 kgs), 1.15 million bales and 1.1 million bales of loose cotton respectively.

Table 3: Area, Production & Yield of Cotton in Major States
(AREA THA, PRODUCTION THOUSAND BALES OF 170 KGS, YIELD KGS/HA)

							Revised	Revised	Forecast
STATE		1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Maharashtra	Area	3085	3139	3199	3254	3077	2980	2799	2800
	Production	3300	2150	2650	3650	2050	3425	2400	3200
	Yield	182	116	141	191	113	195	146	194
Gujarat	Area	1484	1519	1607	1516	1615	1687	1498	1750
	Production	3425	4200	4750	2850	2400	3250	3050	4000
	Yield	392	470	502	320	253	328	346	389
Madhya Pradesh	Area	527	517	501	525	506	623	550	620
	Production	1875	2250	1875	1550	1750	2000	1800	1600
	Yield	605	740	636	502	588	546	556	439
Punjab	Area	742	727	562	475	474	600	425	590
	Production	1600	725	500	800	900	925	800	1100
	Yield	367	170	151	286	323	262	320	317
Haryana	Area	649	638	582	546	555	610	535	560
	Production	1350	900	700	1050	1000	550	850	1050
	Yield	354	240	204	327	306	153	270	319
Rajasthan	Area	654	645	645	583	510	347	335	290
	Production	1400	1100	1150	1300	1050	700	450	600
	Yield	364	290	303	379	350	343	228	352
Andhra Pradesh	Area	1007	898	1278	1040	1022	1002	900	950
	Production	2650	2550	2500	2200	2500	2675	2000	2400
	Yield	447	483	333	360	416	454	378	429
Karnataka	Area	668	518	608	600	560	591	362	500
	Production	900	750	875	800	800	700	600	600
	Yield	229	246	245	227	243	201	282	204
Tamil Nadu	Area	260	247	243	185	193	200	115	240
	Production	550	500	550	550	550	500	400	550
	Yield	360	344	385	505	484	425	591	390
Others	Area	46	56	62	67	64	90	53	70
	Production	100	100	125	150	100	75	100	100
	Yield	370	304	343	381	266	142	321	243
All-India	Area	9122	8904	9287	8791	8576	8730	7572	8370
	Production	17150	15225	15675	14900	13100	14800	12450	15200
	Yield	320	291	287	288	260	288	280	309

Note: Production figures for 1996/97 – 2003/04 in the PS&D includes loose cotton estimates.

Table 4: Month End Spot Prices of Popular Varieties (in rs./mt)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2001/02						
Aug	34590	51460	52580	54830	66080	88000
Sept	36560	46960	52300	54830	64680	87160
Oct	38240	40490	44990	46400	59050	77330
Nov	39650	39370	41340	44710	54830	73110
Dec	35710	37120	41340	44430	53430	71140
Jan	36560	36840	40210	43300	48370	70300
Feb	36560	36270	38810	41620	47800	66080
Mar	37960	36560	39650	44150	50620	70300
Apr	38520	39930	42180	44990	52020	73120
May	39650	39650	42180	44430	50050	71710
Jun	41340	42180	44990	49210	54270	76760
Jul	41340	44150	50050	52580	57370	77330
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan	34590	46400	50620	53990	64680	82950
Feb	38810	52300	56240	59050	65520	88280
Mar	38240	55680	58210	61860	67490	87720
Apr	41620	59050	61020	63560	68330	87160
May	40490	58210	59050	61860	69740	88000
Jun	40770	59050	60740	63000	70300	88560
Jul	41060	61020	62710	63560	71710	91360
2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65520	70300	87180
Oct	39090	60460	61580	63540	68900	87560
Nov 14	40470	59040	64100	65520	70300	84350

Source: East India Cotton Association, Mumbai.